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SUBJECT: SPLM POLITBURO FOCUSED ON ECONOMIC CRISIS; HOPES THAT OTHERS CAN HELP OUT

¶1. (SBU) Summary: Government of National Unity (GNU) Presidential Advisor Dr. Mansour Khalid (a prominent SPLM northerner) said that the southern Sudan economic crisis was the hot topic at the SPLM's April Political Bureau (PB) Meeting. He noted that an SPLM team is working with the World Bank on a plan for Government of Southern Sudan (GoSS) civil service reform and admitted that corruption and mismanagement are major problems that the GoSS must address. Dr. Khalid said that the GoSS has reached out to other nations, such as Qatar and the United Arab Emirates (UAE), for loans during the South's economic crunch, but lamented that the UAE and other nations cannot provide the GoSS with budgetary support. Khalid said that while NGO polling in southern Sudan seems to overwhelming indicate that Southerners will vote for separation in 2011, leaders and some communities in Upper Nile, Bahr El Ghazal and Unity State are actually committed to unity. With only 20 months until the southern Sudan Referendum, he acknowledged that it would be very difficult to change the minds of a majority of Southerners to vote for unity over separation. End Summary.

¶2. (SBU) On April 23, CDA Fernandez met with GNU Presidential Advisor Dr. Mansour Khalid (SPLM). Khalid had just returned from Doha, Qatar, where he was following up on the recent GNU and rebel negotiations on Darfur as well as looking for funding for the Government of South Sudan (GOSS). He described a chronic problem of the National Congress Party (NCP) as wanting to do "everything alone"; "they don't have the decency of informing their partner [the SPLM]" of their plans, noting that they had informed the SPLM only a short while before departure in February to negotiate with JEM. He also cited the NCP's recent solo diplomatic trips to France and Uganda as prime examples of their stubborn behavior to involve the SPLM on foreign policy. "We don't trust this regime, but we have to deal with them; this is life," said Khalid.

¶3. (SBU) Switching gears, Dr. Khalid told CDA Fernandez that southern Sudan economic crisis dominated the agenda during the recent SPLM Political Bureau meeting in Juba that took place in mid-April. Mismanagement and corruption are big problems in the South, and the Government of Southern Sudan (GOSS) must train people to correctly use resources and select the right people for the right jobs, he said. All too often people are hired based on tribalism, noting the example of the GOSS Finance Minister. "We can't go on this way," said Khalid. The GNU Presidential Advisor explained that he has a team working with the World Bank on a plan to the streamline GOSS civil service. "This is not going to be an easy task" because it means cutting GoSS staff and eliminating eliminating "ghost employees" previously funded by the Khartoum occupation government before 2005 ad Eliminaving p(e double9 s'la2ies rome ot'erwxaalBev'Re'5mvah'\$ xi beMas(%Q!InPc'lkQim^\$QpdQKtOQoSiQoSsqQyd,t1 e0|gmqlY'QjQqeQokQy"}BY,{wnwQOoJh+jkSc=AmWQpO Qp -RoQak from Belarus. "The NCP is not spending its money on anything useful," Khalid lamented.

¶4. (SBU) In the aftermath of President Obama's win in the United States, "our people [of southern Sudan] are dreaming" of things like direct budget support from the US, explained Khalid. CDA countered that direct financial transfers of the sort Dr. Khalid was talking about are very rare in the best of times, but even more so now with the global financial crisis. Khalid said that the GOSS Minister of Education noted during the SPLM PB Meeting that Norway and another Scandinavian country, possibly Sweden, have volunteered to pay salaries for GOSS Ministry of Education staff for 2009. Khalid said that he himself has been discussing the ability of the GOSS to obtain loans from the United Arab Emirates (UAE). "The UAE tells me there is no money for budgetary support," but that there is money for things like schools, roads, and other development projects. Khalid explained that Abu Dhabi is "owes" the GOSS because of past petroleum-related business deals the southern Sudanese made with TOTAL Petroleum taking over Marathon Oil. "We transferred the business of a former U.S. company to Abu Dhabi instead of China, so they should give us something," he said. According to estimates, we don't expect oil prices to rise until mid-2010 at the very earliest, said Khalid. "This is a period during which we need and want to make unity attractive, but we don't have money to do so," he lamented.

¶5. (SBU) CDA Fernandez asked Khalid if the SPLM leaders that believed in unity could persuade the people of southern Sudan to vote that way. It's a "touchy situation" because people in the South seem to want separation, but the intensity of tribal feuds has

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dramatically increased with the number of weapons in the South, he said. Khalid said he has seen the National Democratic Institute's polling of southerners on the unity versus separation question, where the result is overwhelmingly (over 95 percent) in support of separation. "I think in Equatoria, there is a trend towards separation" said Khalid, because the southernmost states of Sudan view themselves as extensions of Kenya and Uganda and at the grassroots level, have very close relationships with the neighboring countries. "I doubt, however, that is the case in Upper Nile, Bahr El Ghazal, and Unity State." The governors and leaders in these states are more committed to unity, he said. Khalid continued, "the NCP keeps asking us what we are doing to encourage unity, but we ask them the same," he said.

¶6. (SBU) Comment: The SPLM and the GOSS have correctly identified their most urgent internal issue - resolving the South's immediate economic crisis - there is little indication that they are doing

enough in the way of structural readjustment to correct it. Rather, they are still unrealistically reaching out to other nations (and in particular the US), hoping that they can secure enough external funding to get through the current spell of low oil prices and high expenses to get them through. The USG should continue to encourage the GOSS to look for ways to cut back spending, to include careful salary cuts, rather than driving itself deeply into debt and racking up salary arrears, which could lead to an erosion in confidence in the GOSS and provoke even greater instability in an already volatile South Sudan. At the same time, Khartoum needs to be warned not to sow the seeds of further instability in an already fragile South.
End Comment.

FERNANDEZ